Al Salam Bank-Bahrain B.S.C.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2017

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF AL SALAM BANK-BAHRAIN B.S.C.

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Al Salam Bank-Bahrain B.S.C. ("the Bank") and its subsidiaries (together "the Group") as at 31 March 2017, and the related interim consolidated income statement, statements of cash flows and changes in owners' equity for the three month period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the accounting policies disclosed in note 2. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material aspects, in accordance with the accounting policies disclosed in note 2.

Ernst + Young

3 May 2017
Manama, Kingdom of Bahrain

Al Salam Bank-Bahrain B.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2017 (reviewed)

	Note	*(Reviewed) 31 March 2017* BD '000	*(Audited) 31 December 2016* BD '000
ASSETS			
Cash and balances with banks and Central Bank		**107,078**	131,990
Sovereign Sukuk		**360,691**	358,269
Murabaha and Wakala receivables from banks		**149,643**	182,452
Corporate Sukuk		**19,098**	28,934
Murabaha financing		**213,915**	213,687
Mudaraba financing		**277,034**	255,358
Ijarah Muntahia Bittamleek		**193,236**	188,485
Musharaka		**13,396**	12,304
Assets under conversion	3	**22,837**	34,465
Non-trading investments	4	**120,545**	122,073
Investments in real estate		**51,863**	51,863
Development properties		**18,558**	17,781
Investment in associates		**11,496**	10,561
Other assets	5	**33,807**	27,260
Goodwill		**25,971**	25,971
Assets classified as held-for-sale		**-**	19,840
TOTAL ASSETS		**1,619,168**	1,681,293
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY			
LIABILITIES			
Murabaha and Wakala payables to banks		**136,346**	132,032
Murabaha and Wakala payables to non-banks		**665,561**	723,439
Current accounts		**276,311**	279,609
Liabilities under conversion	3	**1,224**	217
Murabaha term financing		**98,367**	91,837
Other liabilities		**50,358**	49,043
Liabilities relating to assets classified as held-for-sale		**-**	11,421
TOTAL LIABILITIES		**1,228,167**	1,287,598
EQUITY OF INVESTMENT ACCOUNTHOLDERS		**73,307**	68,796
OWNERS' EQUITY			
Share capital		**214,093**	214,093
Treasury stock		**(1,712)**	(1,646)
Reserves and retained earnings		**104,528**	100,213
Proposed appropriations		**-**	10,705
Total equity attributable to shareholders of the Bank		**316,909**	323,365
Non-controlling interest		**785**	1,534
TOTAL OWNERS' EQUITY		**317,694**	324,899
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY		**1,619,168**	1,681,293

Sh. Hessa Bint Khalifa Al Khalifa
Chairperson of the Board

Yousif A. Taqi
Director & Chief Executive Officer

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

Al Salam Bank-Bahrain B.S.C.

INTERIM CONSOLIDATED INCOME STATEMENT

For the three month period ended 31 March 2017 (reviewed)

	Note	*31 March 2017* BD '000	*31 March 2016* BD '000
OPERATING INCOME			
Income from financing contracts		**10,802**	9,112
Income from Sukuk		**4,189**	4,389
Gains on sale of investments and Sukuk	6	**456**	1,112
Income from investments	7	**748**	332
Fair value changes on investments		**288**	1,096
Dividend income		**260**	352
Foreign exchange (loss) / gain		**(7)**	449
Fees, commission and other income - net		**3,676**	1,210
		20,412	18,052
Profit on Murabaha and Wakala payables to banks		**(509)**	(334)
Profit on Wakala payables to non-banks		**(4,205)**	(4,729)
Profit on Murabaha term financing		**(485)**	(410)
Return on equity of investment accountholders before Group's share as a Mudarib		**(42)**	(55)
Group's share as a Mudarib		**19**	25
		(23)	(30)
Total operating income		**15,190**	12,549
OPERATING EXPENSES			
Staff cost		**2,613**	2,631
Premises and equipment cost		**381**	645
Depreciation		**535**	992
Other operating expenses		**2,330**	2,146
Total operating expenses		**5,859**	6,414
PROFIT BEFORE PROVISIONS AND RESULTS OF ASSOCIATES		**9,331**	6,135
Provision for financing and investments - net		**(5,937)**	(2,361)
Share of profit from associates		**910**	727
NET PROFIT FOR THE PERIOD		**4,304**	4,501
ATTRIBUTABLE TO:			
- Shareholders of the Bank		**4,350**	4,650
- Non-controlling interest		**(46)**	(149)
		4,304	4,501
Weighted average number of shares (in '000)		**2,125,394**	2,140,931
Basic and diluted earnings per share (fils)		**2**	2

Sh. Hessa Bint Khalifa Al Khalifa
Chairperson of the Board

Yousif A. Taqi
Director & Chief Executive Officer

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

Al Salam Bank-Bahrain B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three month period ended 31 March 2017 (reviewed)

	31 March 2017 BD '000	*31 March 2016 BD '000*
OPERATING ACTIVITIES		
Net profit for the period	**4,304**	4,501
Adjustments:		
Depreciation	**535**	992
Amortisation of premium on Sukuk - net	**314**	415
Fair value changes on investments	**(288)**	(1,096)
Gains on sale of investments and Sukuk	**(456)**	-
Provision for financing and investments - net	**5,937**	2,361
Share of profit from associates	**(910)**	(727)
Operating income before changes in operating assets and liabilities	**9,436**	6,446
Changes in operating assets and liabilities:		
Mandatory reserve with Central Bank	**2,350**	406
Murabaha financing	**(5,760)**	(17,610)
Mudaraba financing	**(21,930)**	21,357
Ijarah Muntahia Bittamleek	**(4,413)**	(3,192)
Musharaka	**(1,092)**	149
Assets under conversion	**11,935**	2,710
Other assets	**(6,928)**	8,312
Murabaha and Wakala payables to banks	**4,314**	(13,525)
Wakala from non-banks	**(57,878)**	(20,509)
Current accounts	**(3,298)**	32,025
Liabilities under conversion	**1,007**	(1,650)
Other liabilities	**1,183**	(402)
Net cash (used in) / from operating activities	**(71,074)**	14,517
INVESTING ACTIVITIES		
Sovereign Sukuk	**(2,721)**	(7,317)
Corporate Sukuk	**9,821**	108
Non-trading investments	**1,068**	2,188
Investment in associates	**578**	32
Investments in real estate	**-**	(1,012)
Development properties	**(678)**	5,534
Purchase of premises and equipment	**(154)**	(180)
Sale of a subsidiary	**7,444**	-
Net movements in non-controlling interest	**-**	160
Net cash from / (used in) investing activities	**15,358**	(487)
FINANCING ACTIVITIES		
Murabaha term financing	**17,720**	38,297
Equity of investment accountholders	**4,511**	1,858
Dividends paid	**(10,630)**	(10,705)
Purchase of treasury stock	**(66)**	-
Murabaha term financing paid	**(11,190)**	-
Net cash from financing activities	**345**	29,450
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(55,371)**	43,480
Cash and cash equivalents at 1 January	**284,928**	223,677
CASH AND CASH EQUIVALENTS AT 31 MARCH	**229,557**	267,157
Cash and cash equivalents comprise of:		
Cash and other balances with Central Bank	**59,396**	43,606
Balances with other banks	**20,518**	48,552
Murabaha and Wakala receivables from banks with original maturities of less than 90 days	**149,643**	174,999
	229,557	267,157

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

Al Salam Bank-Bahrain B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the three month period ended 31 March 2017 (reviewed)

Amounts in BD '000s

	Attributable to shareholders of the Bank												
			Reserves										
	Share capital	*Treasury stock*	*Statutory reserve*	*Retained earnings*	*Changes in fair value*	*Real estate fair value reserve*	*Foreign exchange translation reserve*	*Share premium reserve*	*Total reserves*	*Proposed appropria-tions*	*Total*	*Non-controlling interest*	*Total owners' equity*
Balance as of 1 January 2017	**214,093**	**(1,646)**	**15,338**	**50,695**	**445**	**24,234**	**(2,708)**	**12,209**	**100,213**	**10,705**	**323,365**	**1,534**	**324,899**
Net profit for the period	-	-	-	**4,350**	-	-	-	-	**4,350**	-	**4,350**	**(46)**	**4,304**
Net changes in fair value	-	-	-	-	**603**	-	-	-	**603**	-	**603**	-	**603**
Foreign currency re-translation	-	-	-	-	-	-	**14**	-	**14**	-	**14**	-	**14**
Dividend paid	-	-	-	**75**	-	-	-	-	**75**	**(10,705)**	**(10,630)**	-	**(10,630)**
Sale of a subsidiary	-	-	-	-	-	**(727)**	-	-	**(727)**	-	**(727)**	**(703)**	**(1,430)**
Purchase of treasury stock	-	**(66)**	-	-	-	-	-	-	-	-	**(66)**	-	**(66)**
Balance at 31 March 2017	**214,093**	**(1,712)**	**15,338**	**55,120**	**1,048**	**23,507**	**(2,694)**	**12,209**	**104,528**	-	**316,909**	**785**	**317,694**
Balance as of 1 January 2016	214,093	-	13,716	46,803	(148)	24,253	(2,693)	12,209	94,140	10,705	318,938	1,064	320,002
Net profit for the period	-	-	-	4,650	-	-	-	-	4,650	-	4,650	(149)	4,501
Net changes in fair value	-	-	-	-	(48)	-	-	-	(48)	-	(48)	-	(48)
Foreign currency re-translation	-	-	-	-	-	-	(34)	-	(34)	-	(34)	(97)	(131)
Dividend paid	-	-	-	-	-	-	-	-	-	(10,705)	(10,705)	-	(10,705)
Net movements in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	160	160
Balance at 31 March 2016	214,093	-	13,716	51,453	(196)	24,253	(2,727)	12,209	98,708	-	312,801	978	313,779

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

1 INCORPORATION AND PRINCIPAL ACTIVITIES

Al Salam Bank-Bahrain B.S.C. ("the Bank") was incorporated in the Kingdom of Bahrain under the Bahrain Commercial Companies Law No. 21/2001 and is registered with Ministry of Industry, Commerce and Tourism ("MOICT") under Commercial Registration Number 59308 on 19 January 2006. The Bank is regulated and supervised by the Central Bank of Bahrain ("the CBB") and has an Islamic retail banking license and is operating under Islamic principles, and in accordance with all the relevant regulatory guidelines for Islamic banks issued by the CBB. The Bank's registered office is P.O. Box 18282, Bahrain World Trade Center East Tower, King Faisal Highway, Manama 316, Kingdom of Bahrain.

On 30 March 2014, the Bank acquired 100% stake in BMI Bank B.S.C.(c) ("BMI"), a closed shareholding company in the Kingdom of Bahrain, through exchange of shares. During January 2015, the Shari'a Supervisory Board approved BMI Bank to be an Islamic bank effective 1 January 2015. BMI Bank's operations are in compliance with Shari'a principles effective 1 January 2015. The interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as BMI still holds a conventional retail banking license issued by the CBB.

On 29 November 2016, the shareholders of BMI resolved to approve the transfer of business of BMI to the Bank. The merger notice period ended on 11 April 2017 and a final approval on the merger was obtained from CBB dated 19 April 2017. The Bank has initiated the process to take over all the rights and assume all the obligations of BMI at their carrying values.

During 2016, the Bank acquired 70% stake in Al Salam Bank Seychelles Limited ("ASBS"), (previously "BMIO") an offshore bank in Seychelles. ASBS operates under an offshore banking license issued by the Central Bank of Seychelles. All legal formalities in relation to the share allotment have been completed and the process of converting ASBS into fully compliant Islamic operations is in progress.

The Bank and its subsidiaries operate through 10 branches in the Kingdom of Bahrain and Seychelles and offer a full range of Shari'a-compliant banking services and products. The activities of the Bank includes managing profit sharing investment accounts, offering Islamic financing contracts, dealing in Shari'a-compliant financial instruments as principal / agent, managing Shari'a-compliant financial instruments and other activities permitted for under the CBB's Regulated Islamic Banking Services as defined in the licensing framework. The Bank's ordinary shares are listed in the Bahrain Bourse and Dubai Financial Market.

The Bank together with its subsidiaries is referred to as "the Group".

These interim condensed consolidated financial statements have been authorised for issue in accordance with a resolution of the Board of Directors dated 3 May 2017.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

These interim condensed consolidated financial statements have been prepared in accordance with the guidance given by International Accounting Standard 34 - "Interim Financial Reporting". These interim condensed consolidated financial statements incorporate all assets, liabilities and off-balance sheet financial instruments held by the Group. The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2016, which were prepared in accordance with the Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and in conformity with the Bahrain Commercial Companies Law and the CBB and Financial Institutions Law. In accordance with AAOIFI, for matters for which no AAOIFI standards exist, including "Interim Financial Reporting", the Group uses the relevant IFRS.

These interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with AAOIFI. In addition, results for the three months ended 31 March 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.1 New standards, interpretations and amendments

These interim condensed consolidated financial statements have been prepared using accounting policies, which are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2016. There have been no new standards, interpretations and amendments during the period that might have any material impact on the interim condensed consolidated financial statements of the Group.

3 ASSETS AND LIABILITIES UNDER CONVERSION

These represent interest bearing non-Shari'a compliant assets and liabilities of BMI and ASBS. These assets and liabilities have been reported as separate line items on the face of the interim consolidated statement of financial position. The details of the assets and liabilities under conversion are as follows:

	(Reviewed) 31 March 2017 BD '000	*(Audited) 31 December 2016 BD '000*
Assets		
Loans and advances	**22,797**	34,425
Non-trading investments - debt	**24**	24
Non-trading investment - fair value through equity *	**16**	16
	22,837	34,465
Liabilities		
Customers' deposits	**941**	-
Other liabilities	**283**	217
	1,224	217

* The above fair value through equity investment is classified as Level 3 (2016: Level 3) in the fair value hierarchy (note 4). During the period, there were no movements in the fair value of this investment.

4 NON-TRADING INVESTMENTS

Non-trading investments are classified as fair value through equity or fair value through profit or loss.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; or

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of the financial instruments carried at fair value in the interim consolidated statement of financial position:

	(Reviewed)			
31 March 2017	*Level 1*	*Level 2*	*Level 3*	*Total*
	BD '000	*BD '000*	*BD '000*	*BD '000*
Financial assets at fair value through profit or loss	**7,730**	**5,326**	**101,313**	**114,369**
Financial assets at fair value through equity	**4,200**	**-**	**1,976**	**6,176**
	11,930	**5,326**	**103,289**	**120,545**

4 NON-TRADING INVESTMENTS (continued)

31 December 2016	(Audited)			
	Level 1	*Level 2*	*Level 3*	*Total*
	BD '000	*BD '000*	*BD '000*	*BD '000*
Financial assets at fair value through profit or loss	7,755	5,011	102,637	115,403
Financial assets at fair value through equity	3,968	-	2,702	6,670
	11,723	5,011	105,339	122,073

During the period, an amount of BD Nil (2016: BD 1,793 thousands) was transferred from Level 1 to Level 3 fair value measurements.

The movements in fair value of non-trading investments classified in level 3 of the fair value hierarchy are as follows:

	(Reviewed) 31 March 2017	*(Audited) 31 December 2016*
	BD '000	*BD '000*
At 1 January	**105,339**	106,392
Additions during the period / year	**-**	414
Fair value changes	**(2,050)**	(1,109)
Transfer from level 1 to level 3	**-**	1,793
Disposals during the period / year	**-**	(2,151)
	103,289	105,339

5 OTHER ASSETS

	(Reviewed) 31 March 2017	*(Audited) 31 December 2016*
	BD '000	*BD '000*
Assets under conversion (a)		
Non-trading investments - debt	**236**	236
Non-trading investments - fair value through equity (b)	**1,449**	1,449
	1,685	1,685
Repossessed assets	**11,236**	4,863
Profit receivable	**8,327**	9,922
Premises and equipment	**2,133**	2,514
Prepayments	**1,657**	1,874
Rental receivable on Ijarah Muntahia Bittamleek assets	**611**	449
Other receivables and advances (c)	**8,158**	5,953
	33,807	27,260

(a) These represent non-Shari'a compliant assets resulted from the acquisition of Bahraini Saudi Bank B.S.C. ("ex-BSB").

(b) The above fair value through equity investments are classified as Level 3 in the fair value hierarchy (note 4). Movements in fair value through equity investments are as follows:

5 OTHER ASSETS (continued)

	Fair value measurement using significant unobservable inputs Level 3	
	(Reviewed) 31 March 2017 BD '000	*(Audited) 31 December 2016 BD '000*
At 1 January	**1,449**	2,036
Additions during the period / year	**-**	(82)
Disposals during the period / year	**-**	(505)
	1,449	1,449

(c) This includes BD 550 thousands (2016: BD 1,912 thousands) relating to receivable from sale of investments and advance to contractors. It also includes a specific provision against credit card receivables amounting to BD 1,780 thousands (2016: BD 1,773 thousands).

6 GAIN ON SALE OF INVESTMENTS AND SUKUK

	(Reviewed) 31 March 2017 BD '000	*(Reviewed) 31 March 2016 BD '000*
Gain on sale of:		
Assets classified as held-for-sale	**323**	-
Development properties*	**98**	980
Other investments	**35**	-
Fair value through profit or loss investments	**-**	60
Sukuk	**-**	51
Fair value through equity investments	**-**	21
	456	1,112

* Sales: BD 315 thousands (2016: BD 7,896 thousands) and cost: BD 217 thousands (2016: BD 6,916 thousands).

7 INCOME FROM INVESTMENTS

	(Reviewed) 31 March 2017 BD '000	*(Reviewed) 31 March 2016 BD '000*
Income / (loss) on investments classified as fair value through profit or loss	**694**	(184)
Rental income from investments in real estate	**54**	516
	748	332

8 TOTAL COMPREHENSIVE INCOME

	(Reviewed) 31 March 2017 BD '000	*(Reviewed) 31 March 2016 BD '000*
Net profit for the period	4,304	4,501
Items to be reclassified to interim consolidated income statement in subsequent periods:		
Unrealized gain reclassified to interim consolidated income statement on disposal of fair value through equity investments	-	(23)
Unrealised gain / (loss) on fair value through equity investments	603	(25)
Foreign currency re-translation	14	(131)
Other comprehensive gain / (loss) for the period	617	(179)
Total comprehensive income for the period	4,921	4,322
Attributable to:		
- Shareholders of the Bank	5,035	4,568
- Non-controlling interest	(114)	(246)
	4,921	4,322

9 RELATED PARTY TRANSACTIONS

Related parties comprise major shareholders, directors of the Bank, senior management, close members of their families, entities owned or controlled by them and companies affiliated by virtue of common ownership or directors with that of the Bank. The transactions with these parties were made on commercial terms.

The balances with related parties at 31 March 2017 were as follows:

	31 March 2017 (Reviewed)				
	Associates BD '000	*Major shareholders BD '000*	*Directors and related entities BD '000*	*Senior management BD '000*	*Total BD '000*
Assets:					
Cash and balances with banks and Central Bank	-	78	-	-	78
Murabaha and Wakala receivables from banks	-	-	-	-	-
Murabaha financing	23,297	-	138	106	23,541
Mudaraba financing	2,451	-	2,132	-	4,583
Ijarah Muntahia Bittamleek	-	-	97	221	318
Musharaka	-	-	43	-	43
Other assets	8	-	94	28	130
Liabilities and equity of investment accountholders:					
Murabaha and Wakala payables to non-banks	3,580	21,894	603	1,520	27,597
Current accounts	994	2	1,277	15	2,288
Equity of investment accountholders	-	-	579	149	728
Other liabilities	58	-	4	8	70
Contingent liabilities and commitments	370	-	-	-	370

9 RELATED PARTY TRANSACTIONS (continued)

	31 December 2016 (Audited)				
	Associates BD '000	*Major shareholders BD '000*	*Directors and related entities BD '000*	*Senior management BD '000*	*Total BD '000*
Assets:					
Cash and balances with banks and Central Bank	-	181	-	-	181
Murabaha and Wakala receivables from banks	-	6,786	-	-	6,786
Murabaha financing	25,172	-	-	115	25,287
Mudaraba financing	1,885	-	-	-	1,885
Ijarah Muntahia Bittamleek	-	-	143	226	369
Musharaka	-	-	45	-	45
Other assets	947	2	61	24	1,034
Liabilities and equity of investment accountholders:					
Murabaha and Wakala payables to non-banks	4,235	10,505	48	1,134	15,922
Current accounts	343	9	793	132	1,277
Equity of investment accountholders	-	-	825	135	960
Other liabilities	60	-	-	5	65
Contingent liabilities and commitments	743	-	-	-	743

The income and expenses in respect of related parties included in the interim consolidated income statement are as follows:

	31 March 2017 (Reviewed)				
	Associates BD '000	***Major shareholders BD '000***	***Directors and related entities BD '000***	***Senior management BD '000***	***Total BD '000***
Income:					
Income from financing contracts	**7**	**8**	**29**	**2**	**46**
Expenses:					
Profit on Wakala payables to non-banks	**14**	**89**	**1**	**8**	**112**
Share of profits on equity of investment account holders	-	-	**1**	-	**1**
Other operating expenses	-	-	**147**	-	**147**
Provision for impairment	**1,875**	-	-	-	**1,875**

	31 March 2016 (Reviewed)				
	Associates BD '000	*Major shareholders BD '000*	*Directors and related entities BD '000*	*Senior management BD '000*	*Total BD '000*
Income:					
Income from financing contracts	-	-	1	1	2
Expenses:					
Profit on Wakala payables to non-banks	21	108	-	-	129
Other operating expenses	-	-	105	-	105

10 CONTINGENT LIABILITIES AND COMMITMENTS

	(Reviewed) 31 March 2017 BD '000	*(Audited) 31 December 2016 BD '000*
Contingent liabilities on behalf of customers		
Guarantees	**19,305**	24,993
Letters of credit	**22,436**	20,788
Acceptances	**3,702**	3,607
	45,443	49,388
Irrevocable unutilised commitments		
Unutilised financing commitments	**112,901**	114,491
Unutilised non-funded commitments	**24,989**	23,308
Commitments towards development cost	**2,319**	2,951
	140,209	140,750
Forward foreign exchange contracts - notional amount	**35,435**	20,280

Letters of credit, guarantees (including standby letters of credit) commit the Group to make payments on behalf of customers contingent upon their failure to perform under the terms of the contract.

Commitments generally have fixed expiration dates, or other termination clauses. Since commitment may expire without being utilized, the total contract amounts do not necessarily represent future cash requirements.

Operating lease commitment - Group as lessee
The Group has entered into various operating lease agreements for its premises. Future minimal rentals payable under the non-cancellable leases are as follows:

	(Reviewed) 31 March 2017 BD '000	*(Audited) 31 December 2016 BD '000*
Within 1 year	**1,175**	1,168
After one year but not more than five years	**2,328**	2,360
	3,503	3,528

11 SEGMENT INFORMATION

Primary segment information
For management purposes, the Group is organised into four major business segments:

Banking	Principally managing Shari'a compliant profit sharing investment accounts, and offering Shari'a compliant financing contracts and other Shari'a-compliant products. This segment comprises corporate banking, retail banking and private banking and wealth management.
Treasury	Principally handling Shari'a compliant money market, trading and treasury services including short-term commodity Murabaha.
Investments	Principally the Group's proprietary portfolio and serving clients with a range of investment products, funds and alternative investments.
Capital	Manages the undeployed capital of the Group by investing it in high quality financial instruments, incurs all expenses in managing such investments and accounts for the capital governance related expenses.

11 SEGMENT INFORMATION (continued)

These segments are the basis on which the Group reports its primary segment information. Transactions between segments are conducted at estimated market rates on an arm's length basis. Transfer charges are based on a pool rate which approximates the cost of funds.

Segment information for the period ended 31 March 2017 was as follows:

	31 March 2017 (Reviewed)				
	Banking BD '000	*Treasury BD '000*	*Investments BD '000*	*Capital BD '000*	*Total BD '000*
Operating income	**8,741**	**3,044**	**1,155**	**2,250**	**15,190**
Segment result	**1,351**	**2,407**	**302**	**244**	**4,304**
Other Information					
Segment assets	**669,197**	**668,736**	**219,224**	**62,011**	**1,619,168**
Segment liabilities and equity	**929,874**	**328,748**	**27,215**	**333,331**	**1,619,168**

Goodwill resulting from BMI acquisition is allocated to banking segment.

Segment information for the period ended 31 March 2016 was as follows:

	31 March 2016 (Reviewed)				
	Banking BD '000	*Treasury BD '000*	*Investments BD '000*	*Capital BD '000*	*Total BD '000*
Operating income	9,435	914	1,610	590	12,549
Segment result	4,337	(19)	629	(446)	4,501

Segment information for the year ended 31 December 2016 (Audited) was as follows:

Other information					
Segment assets	706,572	678,896	236,338	59,487	1,681,293
Segment liabilities and equity	1,021,629	317,079	50,312	292,273	1,681,293

Goodwill resulting from BMI acquisition is allocated to banking segment.

Secondary segment information

The Group primarily operates in the GCC and derives substantially all its operating income and incurs all operating expenses in the GCC.

12 COMPARATIVE FIGURES

Certain of the prior year figures have been reclassified to conform to the current period presentation. Such reclassifications did not affect previously reported net profit, total assets, total liabilities and total equity of the Group.